

## **Fast Facts on the California-China Trade Relations**

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy  
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China is the second largest economy in the world after the U.S. with a 2013 Gross Domestic Product (GDP) of \$9.2 trillion.<sup>1</sup> Weaker growth in the last quarter of 2013 is expected to carry over to 2014, and GDP is expected to grow at 7.5% in 2014.<sup>2</sup> China is California's third largest export partner with \$16.3 billion worth of goods exported from California to China in 2013.<sup>3</sup>

### **Profile of China**

- China is the world's fourth largest country with a land mass less than Russia, Canada and the U.S. measured by land area. The land area of China is 9.6 million square km<sup>4</sup>, slightly smaller than that of the U.S. (9.8 million sq km).<sup>5</sup>
- China is the world's most populous country with an July 2014 estimated population of 1.35 billion<sup>6</sup> which is more than four times the population of the U.S. (318 million).<sup>7</sup> In 2012 alone, the estimated population of Beijing was 21million people with a high density of 5,302 persons per sq km, compared to the population of Los Angeles city at only 3.8 million in 2013.<sup>8</sup>
- The literacy rate (age 15 and over that can read and write) in China was 95.1%.<sup>9</sup> There are 4,076 higher education institutions in China, 811 of which provide postgraduate programs.<sup>10</sup> In 2012, 87% of high school graduates in China were enrolled in higher education programs.<sup>11</sup> In 2012, post-graduates in science and engineering fields comprised 44.95% of all graduate students<sup>12</sup> and 66.6% in research institutes.<sup>13</sup>

### **Overview of China's Economy**

- China is the second largest economy in the world after the United States with a 2013 Gross Domestic Product (GDP) of \$9.2 trillion.<sup>14</sup>
- After a temporary dip in overall economic performance in 2012, China's balance of payments returned to surplus in 2013, with an increase from \$322 billion in 2012 to \$360 billion in 2014. However, China's services trade deficit jumped from \$90 billion in 2012 to \$122 billion in 2013. FDI inflow continues to drop from \$191 billion in 2012 down to \$171 billion in 2013, while Chinese outward FDI continued to rise.<sup>15</sup> On the other hand, China's GDP per capita based on purchasing power parity ranked 120<sup>th</sup> in the world in 2013.<sup>16</sup>
- Beginning in the late 1970s, China gradually implemented several key economic and fiscal reforms, liberalizing trade, modernizing the banking system, promoting growth of the private sector, and allowing the currency to rise in value. This major shift plays a global role in making China the world's largest exporter in 2010. China continues to support its state-owned enterprises in sectors considered important to "economic security".<sup>17</sup>
- In 2011, the agriculture, industry, and services sectors accounted for 9.7%, 45.3%, and 45% of its GDP respectively. The agriculture sector accounted for the greatest proportion of China's labor force at 34.8%, while the industrial and services sectors comprised 29.5% and 35.7%, respectively.<sup>18</sup>
- The inflow of foreign direct investment (FDI) largely accounts for China's high GDP growth rate. Since 2009, China has risen to 2<sup>nd</sup> place after the United States among the largest FDI recipients.<sup>19</sup> China was ranked 1<sup>st</sup> as a top priority host for FDI for the 2010-2012 period by transnational corporations (TNCs).<sup>20</sup>
- The growth of China's GDP relies heavily on foreign exports. In 2013, the value of China's exports to the world was \$2.21 trillion, ranking 1<sup>st</sup> in the world, and its imports were worth \$1.772 trillion, and ranking 3<sup>rd</sup>.<sup>21</sup> China's 2013 account balance was \$176.6 billion, ranking 2<sup>nd</sup> in the world.<sup>22</sup>
- China has the world's largest gold and foreign exchange reserves in the world valuing at \$3.82 trillion in 2013.<sup>23</sup> It was more than the U.S. amount of \$150 billion in 2012.<sup>24</sup> The exchange rate for

Renminbi Yuan (RMB) per U.S. dollar (USD) over the years were 6.2 (2013), 6.3 (2012), 6.7 (2010), 6.8 (2009), and 6.9 (2008).<sup>25</sup>

- Economic development has been more rapid in urban centers of coastal provinces than rural areas, so income inequality is a serious concern in China. The Gini index (a measure of income equality) of China was 47.3 in 2013, compared to 47.4 in 2012.<sup>26</sup> The U.S. had consistently similar Gini indices in with a value of 45 in 2007.<sup>27</sup>
- China's major export commodities in 2011 were electrical and other machinery, including data processing equipment, apparel, textiles, iron and steel, and optical and medical equipment.<sup>28</sup> Its major import commodities were electrical and other machinery, oil and mineral fuels, optical and medical equipment, metal ores, plastics, organic materials.<sup>29</sup>

### **China and U.S. Trade and Investment Relations**

- As of 2013, the U.S. is China's second largest export partner, representing 16.7% of all China's exports. The total value of products China exported to the U.S. totaled \$440.4 billion,<sup>30</sup> which increased by 3.5% from 2012.<sup>31</sup>
- China is the third largest export market for the U.S., after Mexico and Canada. The U.S. exported \$122.1 billion in products to China in 2013, up 10.4% relative to \$11.5 billion in 2012.<sup>32</sup>
- The U.S. goods trade deficit with China was \$318 billion in 2013, a 1.1% increase (\$3.3 billion) over 2012. The trade deficit with China accounted for 46.3% of the overall U.S. trade deficit in 2013.<sup>33</sup>
- The top U.S. exports to China in 2013 were transportation equipment (19.2%), agriculture products (15.8%), computer and electronic products (13.1%), and chemicals (11.2 %).<sup>34</sup>
- The top U.S. imports from China in 2013 were computer and electronic products (37%), miscellaneous manufactured commodities (8.3%), Electrical Equipment-Appliances and Components (7.6%), apparel manufacturing products (7.5%).<sup>35</sup>
- In 2012, China's inward FDI from the U.S. totaled \$51.4 billion. China's outward FDI to the U.S. was \$5.2 billion.<sup>36</sup>
- The annual Strategic and Economic Dialogue (S&ED) has served as a unique platform to promote bilateral understanding, expand consensus, discuss differences, improve mutual trust, and increase cooperation between the U.S. and China. S&ED has benefitted both countries through joint projects and initiatives in addressing common regional and global challenges such as nuclear proliferation in Iran, North Korea, and instability between Sudan and South Sudan.<sup>37</sup>
- July 2013 marked the fifth meeting of the S&ED. This high-level forum allows the U.S and China to exchange and improve on trade relations, especially in strengthening economic policy including market-based interest and exchange rates, promoting open trade and investment where both countries are working toward a Bilateral Investment Treaty (BIT) including commitments to make trade transparent, enhancing global cooperation and international rules in multilateral frameworks such as the WTO, IMF, G-20, APEC, Multilateral Development Bank, and the International Working Group on Export Credits, and lastly to foster financial stability and reform in both countries to enhance transparency in the banking system and to mitigate financial risks.<sup>38</sup>

### **China and California Relations**

- There were 1,564,094 Chinese Americans in California in 2012,<sup>39</sup> which was 4.1% of California's population of 37,999,878.<sup>40</sup>
- China is California's 3<sup>rd</sup> largest export market, after Mexico and Canada. California's export value to China totaled \$16.4 billion in 2013.<sup>41</sup>
- The top exports from California are computer and electronic products (31.1%), waste and scrap (14%), transportation equipment (9.8%), and machinery, except electrical (9.4%).<sup>42</sup>
- In 2013, California imported \$130 billion in products from China, accounting for 34.2% of the state's imports.<sup>43</sup>

- China was California's 3<sup>rd</sup> largest export market for agriculture products in 2013 totaling \$2.3 billion in value. The major exported agricultural products were almonds, pistachios and walnuts.<sup>44</sup>

### **Special Economic Zones (SEZs) in China**

- In the late 1970s, under the leadership of Deng Xiaoping, China designated some regions to be more market-based, known as special economic zones. These regions are foreign-oriented areas which integrate science and industry with trade, and benefit from preferential policies and special management systems.<sup>45</sup>
- The Pearl River Delta, a prominent SEZ located in Guangdong Province, has several economically dynamic and world-oriented cities including Hong Kong, Guangzhou, Shenzhen, Zhuhai, Macau, Foshan, Zhongshan, and Dongguan.<sup>46</sup>
- Shenzhen is one of the largest exporters within the Pearl River Delta SEZ. In 2012, Shenzhen had a total export value of \$271.4 billion.<sup>47</sup>
- Other SEZs in China include the Yangtze River Delta, Xiamen-Zhangzhou-Quanzhou Triangle in south Fujian, Shandong Peninsula, Liaodong Peninsula, and Pudong New Zone in Shanghai.<sup>48</sup>

<sup>1</sup> <http://stat.wto.org/countryprofile/WSDBCountryPFView.aspx?Country=CN&>; WTO's China GDP 2013, accessed August 29, 2014

<sup>2</sup> <http://adb.org/countries/prc/economy>; China's 2014 Economic Forecast; accessed June 11, 2014

<sup>3</sup> <http://tse.export.gov/TSE/MapDisplay.aspx>; California total exports to China 2013, accessed June 11, 2014

<sup>4</sup> <http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; CIA World Fact Book-China, accessed June 11, 2014

<sup>5</sup> <http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; CIA World Fact Book-China, accessed June 11, 2014

<sup>6</sup> <http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; CIA World Fact Book-China, accessed June 11, 2014

<sup>7</sup> <http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; CIA World Fact Book-China, accessed May 29, 2014

<sup>8</sup> <http://worldpopulationreview.com/world-cities/beijing-population/>; Beijing Population and Density; [http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP\\_2013\\_PEPANNRES](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2013_PEPANNRES), Estimated population of Los Angeles City, accessed June 11, 2014

<sup>9</sup> <http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; CIA World Fact Book-China, accessed May 29, 2014

<sup>10</sup> <http://www.moe.edu.cn/publicfiles/business/htmlfiles/moe/s7566/201309/156899.html>; Chinese Ministry of Education, "Number of Schools by Level and Type", accessed June 10, 2014

<sup>11</sup> <http://www.moe.edu.cn/publicfiles/business/htmlfiles/moe/s7566/201309/156874.html>; Chinese Ministry of Education, "Promotion Rates of Graduate Schools by Level", accessed June 10, 2014

<sup>12</sup> <http://www.moe.edu.cn/publicfiles/business/htmlfiles/moe/s7566/201309/156686.html>; Chinese Ministry of Education, "Number of Postgraduate Students by Academic Fields (total)", accessed June 10, 2014

<sup>13</sup> <http://www.moe.edu.cn/publicfiles/business/htmlfiles/moe/s7566/201309/156681.html>; Chinese Ministry of Education, "Number of Postgraduate Students by Academic Field (Research Institutes)", accessed June 10, 2014

<sup>14</sup> <http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; China's GDP 2013, accessed June 10, 2014

<sup>15</sup> <http://www.rhg.com/notes/back-to-twin-surplus>; China account of balance; accessed June 10, 2014

<sup>16</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed May 29, 2014

<sup>17</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed June 10, 2014

<sup>18</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed May 29, 2014

<sup>19</sup> [http://unctad.org/en/Docs/wir2010overview\\_en.pdf](http://unctad.org/en/Docs/wir2010overview_en.pdf); UNCTAD World Investment Report 2010 Overview, accessed June 9, 2014

<sup>20</sup> [http://unctad.org/en/Docs/diaeia20104\\_en.pdf](http://unctad.org/en/Docs/diaeia20104_en.pdf); UNCTAD World Investment Prospect Survey 2010-2012, accessed June 9, 2014

<sup>21</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed May 29, 2014

<sup>22</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed May 29, 2014

<sup>23</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed May 29, 2014

<sup>24</sup> <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2188rank.html>; accessed June 9, 2014

<sup>25</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed May 29, 2014

<sup>26</sup> <https://www.cia.gov/library/publications/the-world-factbook/fields/2172.html>; accessed June 9, 2014

<sup>27</sup> <https://www.cia.gov/library/publications/the-world-factbook/fields/2172.html>; accessed June 9, 2014

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- <sup>28</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed June 9, 2014
- <sup>29</sup> <https://www.cia.gov/library/publications/the-world-factbook/fields/2049.html>; accessed June 9, 2014
- <sup>30</sup> <http://www.cia.gov/library/publications/the-world-factbook/fields/2050.html>; U.S Percentage of China's Total Export, accessed June 9, 2014
- <sup>31</sup> <http://www.ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>; U.S imports from China = China's exports to U.S, accessed June 9, 2014
- <sup>32</sup> <http://www.ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>; U.S exports to China, accessed May 29, 2014
- <sup>33</sup> <http://www.ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>; Office of the USTR, accessed May 29, 2014
- <sup>34</sup> <http://tse.export.gov/TSE/ChartDisplay.aspx>; Top U.S exports to China, accessed May 29, 2014
- <sup>35</sup> <http://tse.export.gov/TSE/ChartDisplay.aspx>; Top U.S imports from China, accessed May 29, 2014
- <sup>36</sup> <http://www.ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>; U.S-China FDI flow, accessed June 4, 2014
- <sup>37</sup> <http://www.state.gov/r/pa/ei/bgn/18902.htm>; accessed June 4, 2014
- <sup>38</sup> <http://www.treasury.gov/press-center/press-releases/Pages/jl2010.aspx>; Factsheet on 5<sup>th</sup> U.S-China S&ED, accessed June 4, 2014
- <sup>39</sup> [http://factfinder2.census.gov/faces/tableservices/jrf/pages/productview.xhtml?pid=ACS\\_12\\_1YR\\_S0201&prodType=table](http://factfinder2.census.gov/faces/tableservices/jrf/pages/productview.xhtml?pid=ACS_12_1YR_S0201&prodType=table); Chinese-American population in California, accessed May 29, 2014
- <sup>40</sup> [http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP\\_2013\\_PEPANNRES&prodType=table](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2013_PEPANNRES&prodType=table); California population, June 4, 2014
- <sup>41</sup> <http://www.trade.gov/mas/ian/statereports/states/ca.pdf>; California: Jobs, exports, and foreign investments, April 2014, accessed June 5, 2014
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